

[REDACTED]

CERTIFIED MAIL

[REDACTED]

MAR 5 1992

Dear Applicant:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code.

The information submitted indicates that you were incorporated on [REDACTED] under the laws of the State of [REDACTED].

Your purpose, as stated in your Articles of Incorporation, is to organize, support and maintain a communication network among members to facilitate the sale of automobile parts.

You are a membership organization open to any person of good character having been in business for at least one year; having at least [REDACTED] acres of land and a minimum of [REDACTED] employees; with a minimum of [REDACTED] % of total sales from used auto parts. Any member of [REDACTED] cannot hold a membership in or be on any other local network line. Your income is from the network telephone bill and assessment of membership dues. Your expenses are for the payment of the network telephone bill and miscellaneous items.

Your activities include the payment of a telephone bill that connects all the auto parts dealers by billing each member for their share of the monthly telephone bill, collecting the money from the members and paying the bill.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues, chambers of commerce, real estate boards, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest, the purpose of which is to promote such common interest. Its activities should be directed towards the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.

Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
[REDACTED]	[REDACTED]	EP/EE	[REDACTED]			
[REDACTED]		3/5/92				
2-27-92		[REDACTED]				

Revenue Ruling 56-65, published in Cumulative Bulletin 1956-1, on page 199, as organization's principal activity consisted of furnishing particular information and specialized individual service to its members to effect economies in the operation of their individual businesses. Membership was restricted to individuals engaged in the building engineering construction business. Their activities consisted of the maintenance of plan rooms for the convenience of members. The organization was performing particular services for individual persons and was not entitled to exemption under section 501(c)(6) of the Code.

Revenue Ruling 67-182, published in Cumulative Bulletin 1967-1, on page 141, describes an organization that maintained a private library of "electric logs", maps, oil publications, and oil information services, as well as other matters which are a source of geological data, for its members' use as an aid in their oil exploration businesses. The material for the library was furnished by the members. Membership in the organization was limited to a small group. The organization was making specialized information available to its members on a cooperative basis which served as a convenience and economy in the conduct of their businesses. This activity constituted the performance of particular services for individual persons and the organization did not qualify for exemption under section 501(c)(6) of the Code.

Revenue Ruling 68-164, published in Cumulative Bulletin 1968-1, on page 264, holds that an organization whose primary activity is to operate a traffic bureau for members and nonmembers which includes quotations of freight rates, rules, and practices is not entitled to exemption since it operates as a convenience and constitutes the performance of particular services.

Revenue Ruling 69-106, published in Cumulative Bulletin 1969-1, on page 153, describes an organization that was operated by a group of manufacturers to carry on research and development in projects of common interest to their industry. No research was conducted for any particular member. The results of the research was made available only to members. Since this organization furnished the results of its research only to its members, its activities were not aimed at the improvement of business conditions for the entire industry and therefore did not qualify for exemption under section 501(c)(6).

Revenue Ruling 71-175, published in Cumulative Bulletin 1971-1, on page 153, describes an organization composed of members of the medical profession and persons in the field of public health. Their principal activity was the operation of a telephone answering service for member doctors. Members were charged a fee based upon the use of the service. By providing a telephone answering service, the organization relieves the individual members of the necessity of performing this service commercially, resulting in a convenience and economy in the conduct of the medical practice of its individual members. The organization is engaged in a regular business of a kind commonly carried on for profit by the operation of the telephone answering service and is not exempt from Federal income tax under section 501(c)(6).

Revenue Ruling 74-308, published in Cumulative Bulletin 1974-2, on page 168, describes an organization that maintained a system whereby calls for towing services were equitably divided among members of the organization. It contracted with an independent answering service that received calls for towing services from local law enforcement agencies. The answering service referred those calls to the organization's members on a rotational basis. Individual members of the organization paid a monthly fee to the answering service. By providing its members with an economy and convenience in the conduct of their individual businesses it was performing particular services and did not qualify for exemption under section 501(c)(6) of the Code.

You state the benefits to the auto parts industry are: a) Service to individuals in locating auto parts; b) Service to the auto body/auto service industry in location of auto parts; c) Create a favorable environment between owners within the auto parts industry; d) Keep owners informed on pending legislation affecting the auto salvage industry; e) Provide a tight knit relationship between network members and regulatory agencies such as Department of Motor Vehicles and Environmental Protection Agency.

You are a membership organization that allows members only to connect to the network. Your primary activity is the operation of the communication network among members to facilitate the sale of used automobile parts. The network is used by members to quickly locate and order auto parts among the membership of dealers. The administration of the network telephone bill is your principal function. This serves as an economy and convenience to members in the conduct of their individual businesses. Operation of the network as described is an activity which constitutes the performance of particular services for individual persons. Furthermore, by limiting the service to members only, your activities are not aimed at the improvement of business conditions in the industry as a whole.

Based on the foregoing, we hold that you are not operated exclusively to promote a common business interest in one or more lines of business. Therefore, we conclude that you do not qualify for exemption under section 501(c)(6) of the Code.

You are required to file Federal income tax returns on Form 1120. If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office or Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be

[REDACTED]

held at the Regional Office, or if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

[REDACTED]

District Director

Enclosure: Publication 893